

CCOM GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	June 30, 2016 <u>(Unaudited)</u>	December 31, 2015 <u></u>
Assets		
Current assets:		
Cash	\$ 460,741	\$ 577,303
Accounts receivable, net of allowance for doubtful accounts of \$1,028,408 and \$1,086,213, respectively	11,974,077	10,043,006
Inventory	15,651,995	13,545,954
Prepaid expenses and other current assets	841,942	777,757
Deferred tax asset	170,000	170,000
Total current assets	<u>29,098,755</u>	<u>25,114,020</u>
Property and equipment	803,720	889,866
Goodwill	1,416,929	1,416,929
Other assets - noncurrent	1,745	6,981
Deferred tax asset - noncurrent	2,296,500	2,296,500
	<u>\$ 33,617,649</u>	<u>\$ 29,724,296</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Borrowings under credit facility - revolving credit	\$ 14,781,048	\$ 12,716,527
Notes payable - current portion; includes related party notes of \$1,169,393 and \$162,773, respectively	1,332,030	325,895
Trade payables	4,125,901	3,833,579
Accrued liabilities	1,763,299	1,373,073
Income taxes payable	420	420
Total current liabilities	<u>22,002,698</u>	<u>18,249,494</u>
Convertible notes payable, excluding current portion-related party	200,000	200,000
Notes payable, excluding current portion; includes related party notes of \$885,777 and \$972,161, respectively	1,009,068	1,160,717
Deferred tax liability - noncurrent	567,000	567,000
Total liabilities	<u>23,778,766</u>	<u>20,177,211</u>
Commitments and contingencies		
Stockholders' equity:		
Redeemable convertible preferred stock, \$.05 par value, 2,500,000 shares authorized, 284,612 shares issued and outstanding, liquidation preference of \$1,423,060	14,231	14,231
Common stock, \$.05 par value, 20,000,000 shares authorized, 9,154,928 shares issued and outstanding	457,746	457,746
Additional paid-in capital	12,596,853	12,596,853
Accumulated deficit	(3,229,947)	(3,521,745)
Total stockholders' equity	<u>9,838,883</u>	<u>9,547,085</u>
	<u>\$ 33,617,649</u>	<u>\$ 29,724,296</u>

CCOM GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Sales	\$ 23,635,776	\$ 22,324,307	\$ 41,514,540	\$ 37,880,569
Cost of sales	<u>17,240,829</u>	<u>16,457,650</u>	<u>30,178,602</u>	<u>27,402,586</u>
Gross profit	6,394,947	5,866,657	11,335,938	10,477,983
Selling, general and administrative expenses	<u>5,364,632</u>	<u>5,046,574</u>	<u>10,825,833</u>	<u>10,247,903</u>
Operating income	1,030,315	820,083	510,105	230,080
Other income	45,988	31,631	89,505	76,503
Interest expense, net; includes related party interest of \$37,398 and \$29,617 for three months ended June 30, 2016 and 2015, respectively, and \$67,064 and \$59,215 for the six months ended June 30, 2016 and 2015, respectively	<u>(166,728)</u>	<u>(139,405)</u>	<u>(307,812)</u>	<u>(270,833)</u>
Net income	<u>\$ 909,575</u>	<u>\$ 712,309</u>	<u>\$ 291,798</u>	<u>\$ 35,750</u>
Income per common share:				
Basic	<u>\$ 0.10</u>	<u>\$ 0.08</u>	<u>\$ 0.03</u>	<u>\$ 0.00</u>
Diluted	<u>\$ 0.10</u>	<u>\$ 0.08</u>	<u>\$ 0.03</u>	<u>\$ 0.00</u>
Weighted average shares outstanding:				
Basic	<u>9,154,928</u>	<u>9,154,953</u>	<u>9,154,928</u>	<u>9,154,953</u>
Diluted	<u>9,439,540</u>	<u>9,439,565</u>	<u>9,439,540</u>	<u>9,439,565</u>

CCOM GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For The Six Months Ended	
	June 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 291,798	\$ 35,750
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for doubtful accounts	71,216	135,387
Depreciation	177,625	155,457
Net gain on sale of fixed assets	(1,757)	-
Changes in operating assets and liabilities		
Accounts receivable	(2,002,287)	(1,447,716)
Inventory	(2,106,041)	(834,959)
Prepaid expenses and other current assets	(64,185)	(255,154)
Other assets - noncurrent	5,236	30,861
Trade payables	292,322	(391,131)
Accrued liabilities	390,226	406,433
Income taxes payable	-	(16,087)
Net cash used in operating activities	(2,945,847)	(2,181,159)
Cash flows from investing activities:		
Additions to property and equipment	(80,343)	(48,332)
Proceeds from disposal of property and equipment	8,847	-
Net cash used in investing activities	(71,496)	(48,332)
Cash flows from financing activities:		
Repayments of notes payable: includes related party repayments of \$1,829,764 and \$1,573,651 respectively	(1,913,740)	(1,650,158)
Issuance of notes payable, related party	2,750,000	2,250,000
Borrowings under credit facility - revolving credit, net	2,064,521	1,826,500
Net cash provided by financing activities	2,900,781	2,426,342
(Decrease) increase in cash	(116,562)	196,851
Cash - beginning of period	577,303	238,696
Cash - end of period	\$ 460,741	\$ 435,547